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One can see at once that it is impossible under this method to take account of individual wealth. A corporation with a capital of \$10,000,000 may be owned by 100,000 people, and one of \$5,000,000 may be owned by only two people. In a case like that it would be obviously very difficult to apply the progressive tax.

Professor Ely: I would like to make one remark of practical rather than theoretical importance. I have had some practical experience in matters of taxation as a member of two tax commissions, one municipal and the other state. I found writers on taxation in this country, and writers on other economic topics, cautioning us to be very careful; and not to make progress too rapidly. I believe that there is no country so conservative as the United States. The danger is not that we shall go too rapidly, but that we shall not go at all. I believe, too, that there is no other country in the world where wealth has so great power as in the United States, and where the facilities for resisting anything hostile to wealth are so great.

THE MUNICIPAL OWNERSHIP OF WATER WORKS.

BY M. N. BAKER.

[Read in Abstract.]

Water works afford the best subject for the study of the municipal ownership of public works, because at the close of 1890, of 1,878 works in the United States, 806, or 43 per cent., were owned by cities, while practically all other natural monopolies have been given over to private companies.

The first water works in the United States were built at Boston, in 1652, by the Water Works Company. The second were built at Bethlehem, Pa., in 1761, by Hans Christopher Christiansen. At the close of 1800, there were but sixteen works in operation, of which only one, at Winchester, Va., was owned by the public. Since 1800 all but two of the private works then in existence have changed to public ownership.

From 1811 to 1815, which includes the war period of 1812, and in the worst year of the late war, 1863, no works of either class were built. In the period 1811-25 the six works built were all private, and during the civil war only four public, against twenty-two private works were built. At present, there is a strong tendency towards municipal ownership.

Of the fifty largest cities of the United States, twenty-nine were formerly supplied by private companies, but at present, only ten of these cities have works wholly under public control. To 1890, there were sixty-six works which had changed from private to public ownership, against only fifteen which had made the opposite change. Since 1890 five works in Massachusetts alone have changed, or are now changing to municipal control, and others will soon follow, while there have been no changes from public to private ownership. Kansas City, now supplied by a company, has voted to establish a plant of its own, but is meeting with strong opposition from the company.

The average rates charged private consumers by 430 companies, as shown by the "Manual of American Water Works" for 1889-90, were 43 per cent. higher than those charged by 318 cities for the same

service. A large part of this difference is due to the fact that many cities charge low rates, and make up the deficiencies in cost of service by general taxation. But a water works company enjoys an almost absolute monopoly and exists solely to make money, while municipal plants are designed primarily to serve the public, and if profits are made, they revert to the people. Therefore it is to be expected that water will cost more, on the average, when furnished by a company.

Municipal indebtedness for water works is not classed with the other debts of cities, because water works are a source of revenue, and are a part of a city's assets.

Regarding the political corruption caused by municipal ownership, it may be asked: If it were put side by side with the corruption caused by seekers and owners of water works franchises, which would be most shameful? The scandal connected with the recent proposed purchase, by the city of Brooklyn, of the works of the Long Island Water Supply Company, is still fresh in the minds of many.

On the whole, public works seem to be quite as efficiently managed as private, while the public health is probably safer with works under municipal control.

Discussion.

Professor Ely: There is no better place in the country so far as I know, to study the question of natural monopolies than Chautauqua county. Experiments have been in progress here for many years. The village of Westfield has an electric light plant; Fredonia about a year ago put in an electric light plant;

Dunkirk, within twenty-five miles, has for several years owned an electric light plant which is operated very successfully. An ex-mayor of the city, William Buchstaver, told me that they had brought the cost down to ten cents per arc light of 2000 candle power per night. Many of us who have been there know that the service is most admirable. I think that there is no instance in which the municipal ownership and control has not improved the local service. I would like to commend that particular subject to those who are visiting from a distance. They can compare and see what the actual results have been, both social, political and economic.

THE CINCINNATI SOUTHERN RAILWAY: A STUDY IN MUNICIPAL ACTIVITY.

BY MR. J. H. HOLLANDER, OF THE JOHNS HOPKINS UNIVERSITY.

One of the most striking instances of the latent vigor of American municipal government is the construction of the Cincinnati Southern Railway, by the city of Cincinnati, for the purpose of fortifying its commercial position. The road extends from Cincinnati to Chattanooga, Tenn., a distance of 335 miles, and was built at an expenditure of more than \$18,000,000 and ten years of time, in default of private or state initiative.

The history of the construction of the road is a narrative of difficulty after difficulty presented, and more or less successfully overcome, with a degree of courage and persistence almost unique in the experience of American city administration. The work